BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2019.	Application 17-10-007 (Filed October 6, 2017)
Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2019.	Application 17-10-008 (Filed October 6, 2017)

PROTEST OF THE UTILITY REFORM NETWORK

TURN
THE UTILITY REFORM NETWORK
Lower bills. Livable planet.

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November 17, 2017

PROTEST OF THE UTILITY REFORM NETWORK

I. Introduction

On October 6, 2017, San Diego Gas & Electric Company (SDG&E) filed Application (A.) 17-10-007, its Test Year 2019 General Rate Case (GRC), seeking to increase its electric and gas revenue requirement and base rates effective on January 1, 2019 and increase its revenue requirement in each of the following three years, 2020-2022. On the same day, Southern California Gas Company (SoCalGas) filed A.17-10-008, its Test Year 2019 GRC, seeking to increase its gas revenue requirement and base rates effective on January 1, 2019 and increase its revenue requirement in each of the following three years, 2020-2022. Because SDG&E and SoCalGas are affiliated companies owned by Sempra Energy and their applications involve related questions of law and fact, similar issues, and have common witnesses, the Commission consolidated these two applications on November 8, 2017.[1]

Pursuant to Rule 2.6 of the California Public Utilities Commission's (Commission's) Rules of Practice and Procedure, The Utility Reform Network (TURN) submits this protest to the applications of SDG&E and SoCalGas (collectively, the Sempra Utilities). Rule 2.6 requires that protests be filed within 30 days of the date the notice of the filing of the application first appeared in the Commission's Daily Calendar. Notice of the instant applications first appeared on October 18, 2017. TURN's protest is thus timely filed.

II. Overview of GRC Requests and The Broader Context in Which They Occur

SDG&E's and SoCalGas's applications request remarkable revenue requirement

[1] *Administrative Law Judge's Ruling Consolidating Applications*, issued Nov. 8, 2017, pp. 1-2.

increases. The following tables summarize the utilities' requests.[2]

SDG&E Test Year 2019 GRC Request (2019-2022 Cycle)

Year	Increase ($000)	GRC Rev. Req. ($000)	% Increase
2018 (As-Expected Authorized)		$1,981,000	
2019	$218,000	$2,199,000	11.00%
2020	$159,900	$2,358,900	7.27%
2021	$122,700	$2,481,600	5.20%
2022	$126,000	$2,607,600	5.08%
Sum of 2019-2022 Increases	$626,600		
% Increase by 2022 (over 2018)	31.63%		
Cumulative Increase in Revenues	$1,723,100		

SoCalGas Test Year 2019 GRC Request (2019-2022 Cycle)

Year	Increase ($000)	GRC Rev. Req. ($000)	% Increase
2018 (As-Expected Authorized)		$2,509,000	
2019	$480,000	$2,989,000	19.13%
2020	$255,400	$3,244,400	8.54%
2021	$200,800	$3,445,200	6.19%
2022	$212,800	$3,658,000	6.18%
Sum of 2019-2022 Increases	$1,149,000		
% Increase by 2022 (over 2018)	45.80%		
Cumulative Increase in Revenues	$3,300,600		

The Commission must keep in mind that customers would experience these increases *in combination with* revenue requirement and rate increases associated with

[2] These increase amounts presented by the utilities are likely to be understated. Each utility also has memorandum and balancing account proposals that could assign to ratepayers amounts in excess of the forecast, thus causing the increases to be even higher than the stated figures. For example, SoCalGas proposes a Morongo Rights-of-Way memorandum account and balancing account, for which the forecasted amount is zero. Ex. SCG-09, p. 21. Thus, if SoCalGas records any costs of extending the expiring rights-of-way, or in furtherance of a relocation of the associated pipelines, that amount would be an increment above the utility's forecasted GRC increase. Similarly, both SoCalGas and SDG&E propose a Liability Insurance Premium Balancing Account that would amortize any above-forecasts expenses through the annual regulatory account update advice letter filing. Ex. SCG-42, p. 19 and Ex. SDG&E-41, p. 13.

other non-GRC programs and projects. The following list includes examples of pending requests from SDG&E and SoCalGas that would impact rates during the proposed 2019-2022 GRC cycle and is not intended to be exhaustive:

- In A.15-09-013, SDG&E and SoCalGas have requested authorization to construct a new 36-inch gas transmission pipeline in SDG&E's service territory, Line 3602, at a construction cost of $595 million.[3]
- In A.16-09-005, a Pipeline Safety Enhancement Program (PSEP) reasonableness review proceeding, SoCalGas has requested a revenue requirement increase of $65 million, with a much smaller increase of $2.6 million requested by SDG&E.[4]
- In A.17-01-020, SDG&E has requested approval of its proposed SB 350 Transportation Electrification Proposals, including "priority review projects" and the "Residential Charging Program." SDG&E estimates the revenue requirements associated with the priority review projects as $29.4 million from 2018-2025 plus $38.6 million from 2026-2050; and with the Residential Charging Program as approximately $201.5 million from 2019-2025 plus $504.5 million from 2026-2050.[5]
- In A.17-03-021, SoCalGas and SDG&E have requested, respectively, revenue requirement increases of $44.6 million and $0.500 million for PSEP Phase 1B and 2A projects, based on forecasted costs of $197.5 million in capital and

[3] A.15-09-013, p. 24 (referencing the cost estimate provided in Proponent's Environmental Assessment, Table 3-7 at p. 3-67).

[4] A.16-09-005, pp. 13-15.

[5] A.17-01-020, SDG&E Testimony, Chapter 6, Appendix A.

$57 million in O&M.[6]

- In A.17-04-016, SDG&E has requested a $48 million revenue requirement increase in 2018 for forecasted procurement and GHG-related costs.[7]
- In A.17-04-027, SDG&E has requested authorization to implement the Customer Information System Replacement Program and forecasts a one-time expenditure of $253.6 for implementation, and a "total cost of ownership" revenue requirement of $996.6 million (including implementation costs, ongoing support costs for the 15-year asset life, loaders and escalation).[8]
- In A.17-05-007, SoCalGas has requested authorization to expand its Mobilehome Park (MHP) Utility Upgrade Program to include an additional 26,000 MHP spaces and to record the associated costs to the existing memorandum account for the MHP Utility Upgrade for future reasonableness review in a GRC.[9] Based on SoCalGas's average recorded program costs to date, SoCalGas forecasts total costs (including capital, O&M, and other costs) of $272.2 million from 2018-2024 to convert these MHP spaces.[10] SoCalGas estimates the revenue requirements associated with these expenditures as approximately $114 million from 2018-2023 plus $398.3 million from 2024-2092.[11]
- In A.17-05-008, SDG&E has requested authorization to expand its MHP

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[6] A.17-03-021, p. 11.

[7] A.17-04-016, p. 4.

[8] A.17-04-021, p. 2.

[9] A.17-05-007, p. 4.

[10] A.17-05-007, SoCalGas Testimony, Chapter 3, pp. HSM-1 – HSM-3.

[11] A.17-05-007, SoCalGas Testimony, Chapter 5, p. KCC & RG-3.

Utility Upgrade Program to include an additional 6,600 MHP spaces and to record the associated costs to the existing memorandum account for the MHP Utility Upgrade for future reasonableness review in a GRC.[12] Based on SDG&E's average recorded program costs to date, SDG&E forecasts total costs (including capital, O&M, and other costs) of $203.5 million from 2018-2023 to convert these MHP spaces ($97.6 million for gas and $105.9 million for electric).[13] SDG&E estimates the revenue requirements associated with these expenditures as approximately $81 million from 2018-2023 plus $426.8 million from 2024-2092.[14]

Meanwhile, as the Commission considers these various proposed rate increases, including the instant GRC requests, the residential customers of both utilities are increasingly facing disconnection for non-payment. The following tables provide annual disconnection data for each utility from 2010-2016.[15]

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[12] A.17-05-008, p. 4.

[13] A.17-05-008, SDG&E Testimony, Chapter 3, pp. HSM-1 – HSM-3.

[14] A.17-05-007, SDG&E Testimony, Chapter 5, p. WV-3.

[15] These tables also provide 2017 data to-date (through Sept.), but it is not yet possible to determine whether disconnections will be higher in 2017 than 2016.

SDG&E Residential Disconnections for Non-Payment[16]

Year	Average Customer Accounts in IOU Territory	Unique Customers Disconnected for Non-Payment	Unique Customer Disconnection Rate	Total Disconnects*	Total Disconnect Rate
2010	1,243,206	17,892	1.4%		
2011	1,252,446	16,664	1.3%	20,690	1.7%
2012	1,263,459	17,195	1.4%	21,691	1.7%
2013	1,276,571	18,531	1.5%	26,627	2.1%
2014	1,296,816	21,975	1.7%	28,933	2.2%
2015	1,323,318	19,409	1.5%	35,899	2.7%
2016	1,350,527	24,585	1.8%	40,067	3.0%
2017 to-date (through 9/17)				33,937	

* accounts for multiple disconnections of the same customers

SoCalGas Residential Disconnections for Non-Payment[17]

Year	Average Customer Accounts in IOU Territory	Unique Customers Disconnected for Non-Payment	Unique Customer Disconnection Rate	Total Disconnects*	Total Disconnect Rate
2010	5,309,229	123,220	2.3%		
2011	5,342,947	100,131	1.9%	112,009	2.1%
2012	5,370,778	96,971	1.8%	106,797	2.0%
2013	5,413,885	92,493	1.7%	101,373	1.9%
2014	5,433,053	88,105	1.6%	94,342	1.7%
2015	5,461,904	103,617	1.9%	110,357	2.0%
2016	5,496,386	119,905	2.2%	129,545	2.4%
2017 to-date (through 9/17)				91,872	

* accounts for multiple disconnections of the same customers

SDG&E and SoCalGas have historically disconnected significantly fewer customers than Pacific Gas and Electric Company and Southern California Edison

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[16] Source: SDG&E Disconnection Settlement Quarterly Report (Oct. 25, 2017), filed in R.10-02-005.

[17] Source: SoCalGas Disconnection Settlement Quarterly Report (Oct. 25, 2017), filed in R.10-02-005; SoCalGas Disconnection Settlement Quarterly Reports (Jan. 25, 2017, Jan. 27, 2016, Jan. 26, 2015, Jan. 28, 2014, Jan. 25, 2013, Jan. 25, 2012).

Company – and continue to do so. Even so, the increase in disconnections over the past few years suggests, at least in part, that their customers are struggling more to keep up with bills. Additional rate increases, such as the substantial increases proposed in these GRCs, will only make bills less affordable, all else being equal.

III. Grounds for Protest

The Commission must ensure that the rates charged by SDG&E and SoCalGas are just and reasonable. As the Commission explained in D.01-10-031:

> We have a regulatory responsibility to ensure [SDG&E/SoCalGas] provides adequate service at just and reasonable rates, and we must view the facts accordingly. Our legislative mandate encompasses promoting the "safety, health, comfort, and convenience of [SDG&E's/SoCalGas's] patrons, employees, and the public." *See* §451.[18]

TURN protests SDG&E's and SoCalGas's request for authorization to increase their revenue requirements as presented in their respective applications, as SDG&E's and SoCalGas's requests are without sufficient support. As the applicants, SDG&E and SoCalGas bear the burden of proving that they are entitled to the relief being sought here and must affirmatively establish the reasonableness of each and every proposal within their applications.[19] Moreover, the starting point for the Commission's analysis must be that existing rates are reasonable unless a party meets its burden of proving that they are not.[20]

While TURN is still in the preliminary stage of our investigation, we expect to present evidence in our prepared testimony and through evidentiary hearings showing

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[18] D.01-10-031, *Order Granting Rehearing of and Modifying Decision 00-02-046*, p. 5.

[19] *See, i.e.,* D.09-03-025, p. 8 (discussing SCE's burden of proof in its Test Year 2009 General Rate Case, A.07-11-011).

[20] "[The utility] has the burden of proving that its current authorized revenues are unreasonable and should be adjusted." D.00-02-046, Conclusion of Law 3.

that SDG&E and SoCalGas have failed to meet their burdens of demonstrating the reasonableness of many aspects of their showings, including but not limited to certain proposals regarding electric and gas distribution costs, gas transmission costs, electric generation costs, customer service costs, administrative and general expenses, shared services and other support costs, rate base, and post-test year ratemaking. Thus far, we have identified the following specific issue that warrant close scrutiny.

Safety/Risk

With respect to GRC projects and programs justified on the basis of safety, the Sempra Utilities' request needs scrutiny in several respects, including:

- Whether the utilities have adequately prioritized their safety risks and provided a transparent and reliable methodology for such prioritization;
- Whether the utilities have explained how they prioritized safety mitigation projects and programs in this rate case in relation to cost-effectiveness or some other measure and, if so, whether such explanation is adequate and reasonable;
- Whether the utilities have explained how they decided on the particular portfolios of safety mitigations proposed in this rate case and how their chosen portfolios take into account constraints such as affordability impacts, utility financial constraints, and execution feasibility. If so, the Commission should examine whether the utility explanations are adequate and reasonable.
- Whether and how the utilities took into account the issues and concerns raised by the Safety and Enforcement Division and the parties in the Risk Assessment and Mitigation Phase (RAMP) proceeding, I.16-10-015/I.16-10-016, and whether the utilities' responses are reasonable.

Pipeline Safety Enhancement Plan (PSEP) Costs

SoCalGas seeks authorization to continue its PSEP activities, including pressure test projects, pipeline replacement projects, and valve projects. SoCalGas forecasts the cost of these activities that will be completed during the three-year GRC cycle (2019-2021), including other "miscellaneous costs," as $898.8 million, consisting of $249 million in O&M from 2019-2021, plus $649 million in capital from 2017-2021.[21] If the Commission authorizes a third attrition year, SoCalGas forecasts another $56 million in O&M in 2022 and $116 million in capital.[22] TURN intends to investigate the reasonableness of SoCalGas's forecasts.

SoCalGas also seeks to record and balance PSEP O&M and capital expenses in a two-way PSEP Balancing Account (PSEPBA) for true-up through an advice letter process. SoCalGas seeks to recover any net undercollection at the end of the GRC cycle, due to project spending exceeding authorized O&M and/or capital expenses, through a Tier 3 advice letter process.[23] While SoCalGas's testimony claims this process is appropriate because "it would allow the Commission to review the reasonableness of costs incurred," SoCalGas asserted at the November 14 "Breakout Session" workshop on PSEP that it is by no means proposing a reasonableness review associated with the PSEPBA.[24] TURN intends to address the reasonableness of the utility's requested

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[21] SCG-15, pp. RDP-iii, RDP-A-22. SoCalGas forecasts $53.2 million ($15.6 million in O&M an $37.6 million in capital) in miscellaneous costs including an allowance for pipeline failures, implementation continuity costs, and Program Management Office costs. SCE-15, p. RDP-A-34.

[22] PowerPoint Presentation from the November 14, 2017 workshop held in this proceeding, titled "SoCalGas and SDG&E 2019 General Rate Cases Breakout Session," slide 18; SCG-15, Section X ("Fourth-Year Projects").

[23] SCG-15, p. RDP-A-22; SCG-42, pp. RQY-16 – RQY-17.

[24] SCG-42, p. RQY-17.

approach.

Clarification of PSEP Requirements

SoCalGas seeks Commission clarification in this proceeding regarding the Commission's requirements for "Phase 2B" pipelines, which include pipelines in the SoCalGas transmission system that have documentation of a pressure test that predates the adoption of federal pressure testing regulations in 1970 in Title 49 of the Code of Federal Regulations, Part 192, Subpart J (herein after, Subpart J).[25] SoCalGas states that is has approximately 1,200 miles of such pipeline in its system.[26] The question is whether the Commission in D.11-06-017 required gas utilities to validate that all in-service natural gas transmission pipelines in California have been pressure tested to the Subpart J standard, or whether the Commission excluded from PSEP those pipeline segments for which the utility possesses a pre-Subpart J pressure test record, provided that the test met the requirements in place when the test was conducted and was at least one hour in duration. SoCalGas explains that parties in prior PSEP proceedings have expressed different interpretations of the D.11-06-017 requirements, but the Commission has yet to resolve this question.[27]

TURN supports SoCalGas's call for Commission resolution of this dispute. We are among the several parties to have argued in other proceedings, including the PSEP reasonableness review, A.16-09-005, that D.11-06-017 does not require ratepayers to pay for retesting through PSEP those pipeline segments for which the utility possesses a pre-Subpart J pressure test record, provided that the test met the requirements in place when

[25] SCG-15, p. RDP-A-57.

[26] SCG-15, p. RDP-A-12.

[27] SCG-15, p. RDP-A-57.

the test was conducted and was at least one hour in duration. The Commission does not intend to resolve this issue in A.16-09-005.[28]

TURN recommends that the Commission address this issue on an expedited track, apart from the many other issues presented by the Sempra Utilities' GRC applications, so that the Commission's clarification can inform current and future PSEP activities, as well as funding requests. Whether this issue should be briefed on an expedited track in this proceeding, or through a different procedural mechanism in another docket (such as through a petition for modification of D.11-06-017 in R.11-02-019, which has general applicability to all California natural gas transmission system operators), is a question worth exploring.

<u>Post-Test Year Proposals</u>

SDG&E and SoCalGas propose to extend the 2019 GRC cycle for four years, from 2019 until 2022, rather than the three-year cycle currently required by the Commission.[29] They argue that a four-year cycle is consistent with the approach authorized by the Commission in their 2004, 2008, and 2012 GRC proceedings.[30] SDG&E and SoCalGas also acknowledge that the issue of the length of the GRC cycle in the Rate Case Plan is currently under consideration in R.13-11-006.[31]

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[28] *Amended Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling*, issued in A.16-09-005 on April 24, 2017, pp. 3-5 (identifying this dispute between parties but noting that parties agreed that the Commission should resolve this disagreement in a different proceeding, specifically in a forecast application or a General Rate Case).

[29] *See* D.14-12-025, p. 40 (maintaining the historic three-year GRC cycle in the Rate Case Plan, but noting that the Commission might need to revisit the need for a four-year cycle if integrating the S-MAP and RAMP processes posed scheduling conflicts with GRCs); D.16-06-005, pp. 5-6 (denying the Petition for Modification of D.14-12-025 filed by the Sempra Utilities and the Office of Ratepayer Advocates to change the length of the GRC cycle from three to four years).

[30] SoCalGas Application, pp. 6-7; SDG&E Application, p. 7.

[31] SoCalGas Application, p. 7, fn. 7; SDG&E Application, p. 7, fn. 9.

In D.16-06-005, issued in R.13-11-006, the Commission directed Energy Division to hold a workshop to address the pros and cons of moving to a longer GRC cycle and "to provide a workshop report on whether a longer GRC cycle is worth pursuing."[32] Energy Division held this workshop on January 11, 2017, and the workshop report is forthcoming.[33] Following the issuance of the workshop report, parties will have an opportunity to file comments, after which the Commission intends to issue a proposed decision that addresses the GRC cycle length, as well as other issues pending in that proceeding.[34]

In D.17-05-013, issued in Pacific Gas and Electric Company's Test Year 2017 GRC, the Commission declined to change the term of PG&E's GRC from three years to four years, pointing to the process underway in R.13-11-006 to evaluate the merits of moving to a longer GRC cycle.[35] The Commission concluded that it should not prejudge the outcome of that process.[36] For the same reason, TURN protests this aspect of the Sempra Utilities' post-test year proposal. If the Commission has yet to issue the anticipated decision in R.13-11-006 before testimony is due in this proceeding, TURN will address the merits of the Sempra Utilities' proposal as well as the procedural deficiencies.

SDG&E and SoCalGas propose to continue their currently authorized Z-factor mechanism, and also propose a new post-test year ratemaking mechanism that would

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[32] D.16-06-005, p. 6.

[33] *Second Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge*, issued in R.13-11-006 on Mar. 17, 2017, p. 3.

[34] *Id.*, p. 4.

[35] D.17-05-013, pp. 197-198.

[36] *Id.,* p. 198.

adjust authorized revenue requirements for operating and capital-related expenditures. They propose to adjust labor and non-labor costs based on IHS Markit Global Insight's forecast, medical costs based on Willis Towers Watson's forecast, and capital investments based on an escalated 5-year average of capital additions.[37] SoCalGas would additionally include a forecast for PSEP capital additions beyond Test Year 2019.[38] This ratemaking methodology would result in attrition year revenue requirement increases in 2020, 2021, and 2022 of roughly 8.5%, 6%, and 6%, respectively, for SoCalGas, and 7%, 5% and 5%, respectively, for SDG&E.[39] TURN protests the Sempra Utilities' proposed post-test year ratemaking methodology and may propose an alternative methodology for the Commission's consideration.

Administrative and General (A&G) Costs

SDG&E is proposing a $108 million increase to A&G costs in 2019 over 2016 recorded, making this by far the largest driver of its requested GRC increase on the O&M side.[40] SoCalGas's requested increase for A&G of $195 million similarly drives its GRC O&M increase, with the next largest increase, $78 million for PSEP, at less than half that amount.[41] The largest component of these increases stems from the Sempra Utilities' proposal to change the methodology for recovering pension costs, which results in a test year increase of $64 million for SDG&E and $132 million for SoCalGas.[42] TURN at this

[37] SDG&E-43, p. KJD-ii.

[38] SCG-44, p. JAM-ii.

[39] SCG-44, p. JAM-ii; SDG&E-43, p. KJD-ii.

[40] PowerPoint Presentation from the November 1, 2017 workshop held in this proceeding, titled "SDG&E and SoCalGas 2019 General Rate Case Overview," slide 11.

[41] PowerPoint Presentation from the November 1, 2017 workshop held in this proceeding, titled "SDG&E and SoCalGas 2019 General Rate Case Overview," slide 14.

[42] SDG&E-29/SCG-31, pp. DSR-1 – DSR-3.

time takes no position on whether the utilities' proposed new methodology is reasonable, but we expect to investigate it.

Morongo Rights-of-Way Memorandum Account

SoCalGas proposes to establish a Morongo Rights-of-Way Memorandum Account (MROWMA) that, other than the effective date, is in all ways identical to the memorandum account the utility has requested in A.16-12-011.[43] SoCalGas candidly describes its request as being "contingent upon the outcome of A.16-12-011." That is, if the Commission rejects its request in that proceeding, the utility will use the GRC to renew its request. The Commission should reject this proposal as a transparent attempt to gain an inappropriate second bite at the apple.

SDG&E's Electric Distribution Capital Showing

SDG&E's Electric Capital Distribution showing is inadequately supported for a number of spending proposals. The utility has stated that it used a "zero-based" forecast method for a number of the proposals. For each proposal, the testimony contains similar if not identical boiler-plate language describing the forecast method.[44] The workpapers include similar boiler-plate language.[45] There are numerous and, in at least one case, very numerous pages of workpapers associated with a particular project that is the subject of a

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[43] Ex. SCG-42, p. 17.

[44] Ex. SDG&E-14, pp. 143-144 (for the Cleveland National Forest Power Line Replacement Projects, "The forecast method used is zero-based. The forecast is based on detailed cost estimates that were developed based on the specific scope of work for the project. SDG&E develops detailed cost estimates based on current construction labor rates, material costs, overhead rates, contract pricing/quotes, and other project specific details. When projects are completed, actual costs are compared to the estimate to verify the estimates are accurate. Any significant variances between the estimated cost for a project and the actual costs are scrutinized to determine whether cost estimate inputs need to be adjusted for future projects.").

[45] Ex. SDG&E-14-CWP, p. 909, where identical language appears to describe the forecast methodology for labor and non-labor costs associated with the Cleveland National Forest Power Line Replacement Project.

zero-based forecast. But the workpapers contain nothing that would adequately substantiate or even support the basis for the forecast, such as a description of the scope of work, the detailed cost estimates, other project specific details, the number of units of work the utility expects to complete, or really anything that might permit the Commission to determine the reasonableness of the forecast.[46] The Commission should direct SDG&E (and SoCalGas, to the extent similar practices appear in its showing) to supplement the showing made in support of such capital spending proposals. It would be inappropriate to require intervenors to attempt to flesh out an adequate showing through discovery.

Potential Acquisition of Oncor Electric Delivery by Sempra Energy

Sempra Energy, the holding company of both SoCalGas and SDG&E, is pursuing the purchase of Oncor Electric Delivery, a transmission and distribution utility in Texas with ten million customers, with a reported offer of nearly $10 billion.[47] If the purchase is approved and consummated, this will likely have a material impact on the allocation of corporate center costs among SoCalGas, SDG&E, and the unregulated entities within Sempra Energy. The utilities' forecasts for 2019 do not reflect this transaction. The Commission should direct the utilities to supplement their showing to address the impact this purchase would have on their allocation, assuming the purchase is consummated before January 1, 2019.

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[46] For example, workpapers for the Cleveland National Forest Power Line Replacement Method comprise approximately 30 pages of the 1000-plus pages of workpapers for Electric Distribution Capital (Ex. SDG&E-14-CWP, pp. 907-937). But other than a single page with extremely abbreviated descriptions of the "business purpose," "physical description" and "project justification" that add very little to the descriptions contained in the prepared testimony, nothing in those 30 pages of workpapers provides anything other than unexplained numbers.

[47] http://www.sandiegouniontribune.com/business/sd-fi-sempra-oncor-20171004-story.html

IV. Effect of the Application on the Protestant

TURN is a non-profit consumer advocacy organization, and has a long history of representing the interests of residential and small commercial customers of California's utility companies before this Commission. TURN's articles of incorporation specifically authorize our representation of the interests of residential customers. The instant application harms the interests of SDG&E's and SoCalGas's residential ratepayers, whose interests TURN represents, by seeking authorization to collect from ratepayers charges that are unjust and unreasonable for the provision of electric and gas utility service (in the case of SDG&E) and gas utility service (in the case of SoCalGas) during the years 2019, 2020, 2021, and 2022.

V. Categorization and Need for Evidentiary Hearings

In Resolution ALJ 176-3407 (Oct. 26, 2017), the Commission preliminarily determined that this proceeding should be categorized at "ratesetting" and that evidentiary hearings will be necessary. TURN concurs with this assessment. SDG&E and SoCalGas have requested substantial rate increases, and the Commission's disposition of their applications will require the resolution of numerous disputed issues of material fact, including the reasonableness of SDG&E's and SoCalGas's forecasts of test year costs throughout their showings, the reasonableness of their proposed post-test year ratemaking mechanism, as well as the reasonableness of SDG&E's and SoCalGas's various ratemaking proposals. TURN intends to actively participate in evidentiary hearings, to the extent necessary to support our recommendations regarding the issues in this proceeding.

VI. Scope of Issues to Be Considered

A. Issues Proposed By SDG&E and SoCalGas

SDG&E and SoCalGas identify the "principal issues" to be considered in this proceeding as follows: (1) Whether each utility's proposed Test Year (TY) 2019 revenue requirement is just and reasonable, and should be adopted by the Commission and reflected in rates; (2) Whether each utility's proposed post-test year ratemaking mechanism is just and reasonable; and (3) Whether each utility's regulatory accounts proposals are just and reasonable.[48] Each utility also suggests, "With respect to safety considerations, the issues above will be considered within the context of the Commission's new risk-informed GRC framework, as discussed above. The focus on safety and risk mitigation and how RAMP was integrated into the GRC will be major components of this GRC proceeding."[49] TURN generally agrees with the very short and very broad list of issues identified by SDG&E and SoCalGas, if supplemented with the issues required by SB 598 (2017, Hueso) as discussed below, as the list would seem to encompass issues regarding costs and services even where such matters are not clearly identified in the utility applications or supporting testimony.

Historically, it was customary for the Commission to issue an Order Instituting Investigation (OII) and open a companion docket to the utility's general rate case application. As the Commission explained when it opened I.06-03-003, the companion investigation to A.05-12-002, PG&E's 2007 General Rate Case:

> The purpose of this investigation is to allow the Commission to consider proposals other than PG&E's, and to enable the Commission to enter orders on matters for which the utility may not be the proponent. This

[48] SDG&E Application, p. 10; SoCalGas Application, p. 10.

[49] *Id.*

> companion investigation will also afford parties an opportunity and forum to provide evidence on issues of interest to the Commission. These issues may result in directives to PG&E that serve the public interest and that result in just and reasonable rates, services, and facilities.[50]

More recently, the Commission has declined to open a companion investigation in general rate cases, instead finding that such a proceeding would be unnecessary to allow the Commission to address affirmative recommendations of parties on subjects relevant to GRCs but not covered by the utilities' applications or testimony.[51] This is the approach taken in the last two SDG&E/SoCalGas GRCs.[52]

In this case, TURN requests that the Commission either open a companion investigation to SDG&E's and SoCalGas's 2019 General Rate Cases or clarify that the Commission will entertain herein the affirmative proposals of parties other than SDG&E and SoCalGas, even where such proposals are not covered by SDG&E's or SoCalGas's application or testimony, as long as parties' proposals address issues properly within the scope of a general rate case. Either of these approaches would avoid an overly restrictive construction of the matters the Commission may consider in this docket as it evaluates how best to serve the public interest.

B. Issues Required by SB 598 (2017, Hueso)

In September of this year, the California Legislature enacted Senate Bill (SB) 598 out of a concern for rising utility disconnections and the adverse impacts of

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[50] Order Instituting Investigation 06-03-003, issued March 7, 2006, p. 1.

[51] *See, e.g., Scoping Memo and Ruling of Assigned Commissioner*, issued Mar. 1, 2011 in A.10-11-015 (SCE 2012 GRC), p. 26.

[52] *Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling*, issued Mar. 2, 2011 in A.10-12-005 / A.10-12-006 (SDG&E/SoCalGas 2012 GRC), p. 12; and *Assigned Commissioner's Scoping Memo and Ruling*, issued Feb. 5, 2015 in A.14-11-003 / A.14-11-004 (SDG&E/SoCalGas 2016 GRC), p. 6.

disconnections on the health and welfare of Californians.[53] Among other things, SB 598 added Section 718 to the California Public Utilities Code, which requires, in pertinent part, as follows:

> In each gas and electrical corporation general rate case, the commission shall do both of the following:
>
> (A) Designate the impact of any proposed increase in rates on disconnections for nonpayment as an issue in the scope of the proceeding.
>
> (B) Conduct an assessment of and properly identify the impact of any proposed increase in rates on disconnections for nonpayment, which shall be included in the record of the proceeding.
>
> The commission shall adopt residential utility disconnections for nonpayment as a metric and incorporate the metric into each gas and electrical corporation general rate case.[54]

The instant GRCs are the first to be filed after the enactment of SB 598.

Consistent with the requirements of SB 598, the Commission should designate as issues within the scope of this proceeding (1) the impact of SDG&E's proposed GRC rate increase – including test year and post-test year increases – on disconnections of its customers for nonpayment, and (2) the impact of SoCalGas's proposed GRC rate increase – including test year and post-test year increases – on disconnections of its customers for nonpayment. Additionally, the Commission should indicate that it will conduct the assessment required by SB 598 for inclusion in the record of this proceeding. Finally, the Commission should clarify that it intends to adopt residential utility

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[53] SB 598, Section 1 (finding that "Gas and electric service shutoffs threaten the health of two million people annually with significant impact on infants, children, the elderly, low-income families, communities of color, people for whom English is a second language, physically disabled persons, and persons with life-threatening medical conditions," and "The loss of basic gas or electric service causes tremendous hardship and undue stress, including increased health risks to vulnerable populations, as well as overreliance on emergency services and underutilization of preventive programs.").

[54] Cal. Pub. Util. Code Sec. 718 (b)(1)-(2).

disconnections for nonpayment as a GRC metric and require SDG&E and SoCalGas to track and report on that metric in this proceeding and in subsequent GRCs.

VII. Proposed Schedule

SDG&E and SoCalGas propose a schedule for this proceeding with testimony from the Office of Ratepayer Advocates (ORA) on April 13, 2018, other inventor testimony on May 4, 2018, public participation hearings in April/May 2018, concurrent rebuttal testimony on June 18, 2018, evidentiary hearings in July/August 2018, and briefs in September/October 2018, which would result in a final decision in December 2018.[55] TURN does not object to this schedule.

VIII. Other Matters

A. The Role of 2017 Recorded Expenditure Data

SDG&E and SoCalGas have prepared their GRC applications based on Base Year (BY) 2016 recorded expenditures, consistent with the Rate Case Plan. During their GRC overview workshop, held on November 1, 2017, they provided general information about the forecasting methods they used in preparing their test year requests. As they explain, their forecasting entails reviewing, and adjusting as needed, historical costs; selecting a forecast methodology (such as averages, linear trends, using the base year, or "zero-based"); and adjusting the resultant forecast to account for known changes to programs or activities.[56] The utilities then forecast 2017, 2018, and 2019 capital for their applications, and for O&M, they "[f]orecast 2017 and 2018 as a means to demonstrate revenue needs

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[55] SDG&E Application, pp. 10-11; SoCalGas Application, pp. 10-11.

[56] PowerPoint Presentation from the November 1, 2017 workshop held in this proceeding, titled "SDG&E and SoCalGas 2019 General Rate Case Overview," slides 16-17.

in the Test Year 2019."[57]

The Commission has previously determined that actual recorded expenditures (both O&M and capital) from the year after the base year (BY+1) can be informative in a GRC.[58] Indeed, such data can serve as a check on the reasonableness of the utility's Test Year forecast. For instance, if it turns out in this case that SDG&E's or SoCalGas's 2017 recorded costs are significantly lower or higher than the utility's 2017 forecasts, this may indicate that 2017 data should be included in a historical forecast, trend line, or base year forecasting methodology to improve the accuracy of the forecast.

In D.13-05-010, issued in the SDG&E/SoCalGas 2012 GRC, the Commission concluded that it was appropriate to consider BY+1 recorded data (2010 data in that case) in determining which methodology should be adopted for individual cost forecasts. As the Commission explained, "Our picking and choosing of what the appropriate methodology to use for the cost forecasts will allow us to develop cost forecasts that we believe are reasonable to both ratepayers and the Applicants, and are as accurate as they can be within our GRC ratemaking framework."[59] More recently, in D.16-06-054, issued in the SDG&E/SoCalGas 2016 GRC, the Commission relied on BY+1 recorded data (2014 data in that case) to assess the reasonableness of certain forecasts included in the proposed settlement agreement.[60]

To ensure that the Commission and parties have timely access to the most recent

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[57] *Id.,* slide 17.

[58] D.12-11-051, p. 13 (addressing the use of 2010 recorded data in SCE's Test Year 2012 GRC, which had a Base Year of 2009).

[59] D.13-05-010, p. 20.

[60] *See, e.g.,* D.16-06-054, p. 62 ("Based on the testimony of SDG&E and ORA, and the 2014 recorded expenses, the agreed upon amount of $0.400 million for the O&M costs associated with Technology Innovation and Development is reasonable and should be adopted.").

recorded data to use in evaluating SDG&E's and SoCalGas's GRC requests, TURN recommends that these utilities make available to parties their 2017 recorded cost data (O&M and capital) as early as practicable. TURN requests that the utilities indicate in their reply to protests (or at the Prehearing Conference) approximately when parties should look forward to receiving this data so that we may plan accordingly.

IX. Conclusion

For the reasons set forth herein, TURN protests the Test Year 2019 GRC Applications of SDG&E and SoCalGas. TURN additionally agrees that evidentiary hearings will be necessary; asks the Commission to incorporate the issues required by SB 598 and clarify that affirmative recommendations of parties on subjects relevant to GRCs but not covered by the utilities' applications or testimony are within the scope; and supports the proposed schedule. Finally, TURN advocates the timely delivery of recorded 2017 expenditures to interested parties by SDG&E and SoCalGas.

Date: November 17, 2017

Respectfully submitted,

By: __________/s/______________

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